



# The Real Estate ANALYST

JANUARY  
1945

Roy Wenzlick  
Editor

VOLUME XIV

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends....Constantly measuring and reporting the basic economic factors responsible for changes in trends and values....Current Studies....Surveys....Forecasts  
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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

## 21 FORECASTS FOR 1945

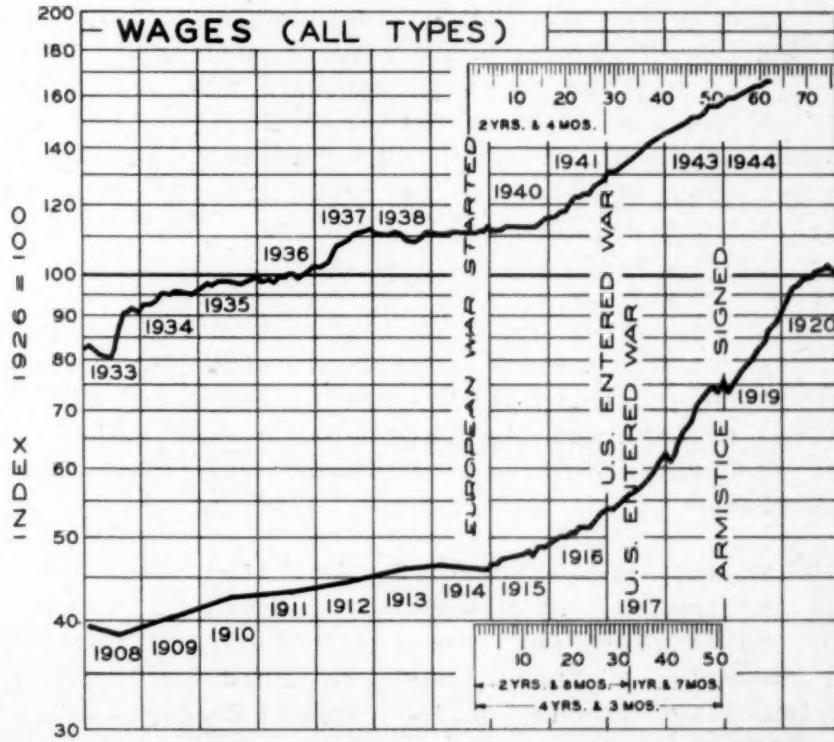
THE following pages outline our forecasts for 1945. This is the sixteenth year in which we have been forecasting real estate movements and the twelfth year in which we have published detailed forecasts at the beginning of the year.

The job of guessing the future is particularly difficult for 1945 as the two all-important factors, the length of the war in Europe and the government attitude toward reconversion, are unpredictable at this time. We are assuming in these forecasts that the war in Europe will be terminated in the third quarter of 1945. Should it end before that, our forecasts on real estate activity will be too high. Should it end later than that, the figures will probably exceed our present guess.

### GENERAL BUSINESS ACTIVITY

1 Due to the stepped up war production general business activity in 1945 will be only slightly below the levels of 1944, probably balancing out the year with a 15 per cent drop. Retailers with merchandise to sell should have no difficulty in equalling 1944 sales, but most retailers will experience such difficulty in securing goods that their actual volume will be probably ten per cent below 1944. Those retailers selling hard goods will experience a far more drastic drop, as much of this material will be entirely unobtainable.

2 The swollen supply of dollars will increase rapidly this year, exerting a strong pressure on wages and salaries. The chart to the right, which shows wages in the United States in this war and the last, would indicate that wage and salary freezing merely restricted wage increases to about the trend which they were following previously. Of course, had it not been for wage



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251  
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1945

and salary freezing, wages and salaries would have advanced far more rapidly. During 1945 the government will continue to employ delaying tactics on wage rates, retarding the rise as much as possible, realizing the eventual rise cannot be prevented. Wages in the post-war period will be at least as high as they are at the present time, with a strong probability that they will be considerably higher.

**3** The cost of living will continue to advance far faster than the official government indexes will show, as many things will not be obtainable because of the low price levels which the government has placed on their sale. There may be considerable doubt whether we have gained very much by restricting a price rise to the point where goods are no longer manufactured or sold in sufficient quantity to have any effect on the market at all. There is scant satisfaction in knowing that the price of an article has not risen, if the article cannot be purchased.

Relatively small increases will be apparent during 1945 in most of the government indexes but this does not mean that we have controlled inflation. We have retarded it and concealed the amount already in our economy through the substitution of ration points for dollars as the principal medium of exchange. If dollars could be permanently demonetized, their superabundance would not hang like the sword of Damocles over our price structure, but sooner or later we must go back to a dollar economy, either through black markets or white, and when we do we will find that the dollar has lost a large part of its purchasing power. Capital goods, including real estate, will eventually accommodate themselves to the new and lower value of the dollar.

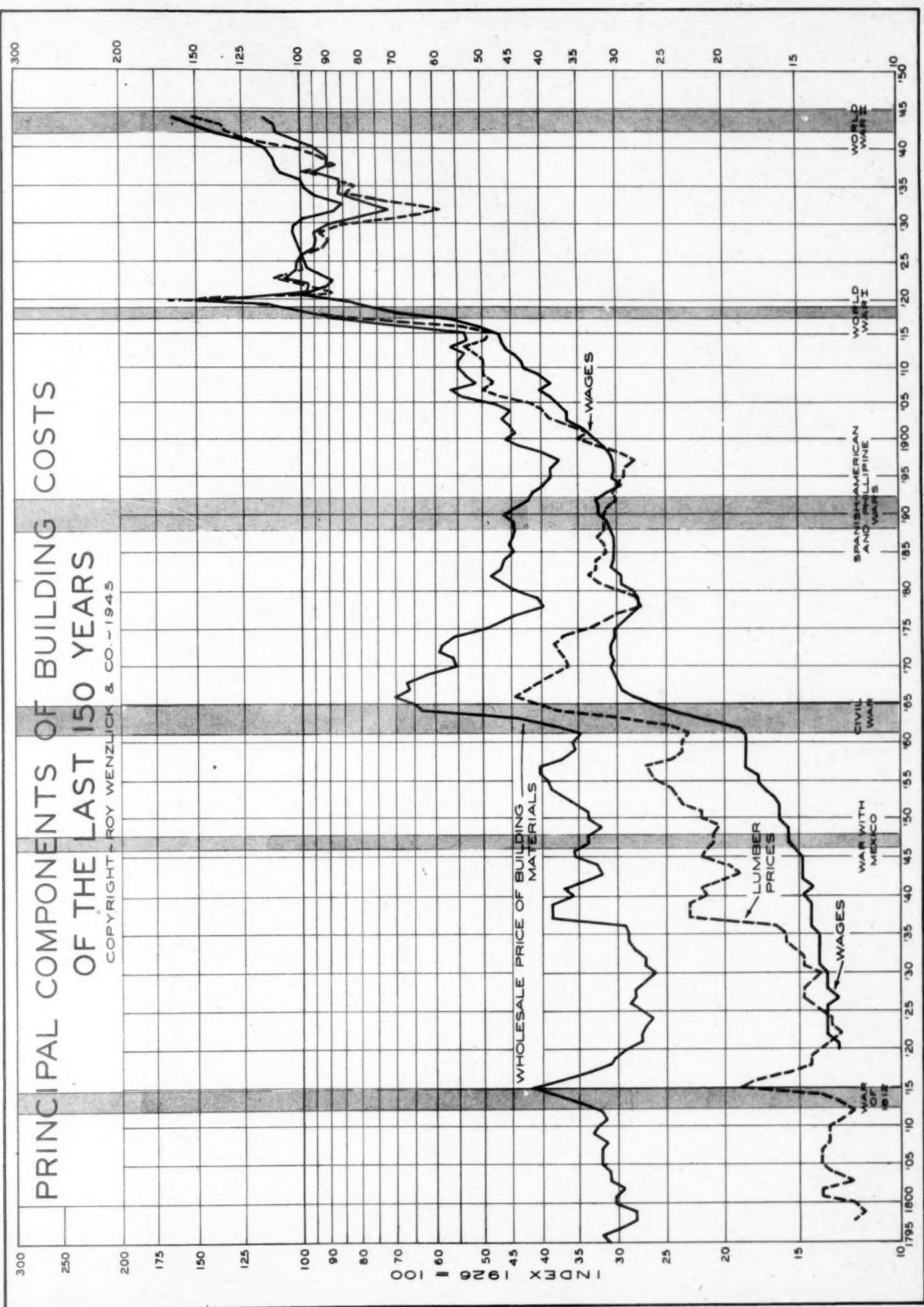
### URBAN REAL ESTATE RESIDENTIAL

**4** Rent control will not be modified during 1945 in any fashion which will give real relief to property owners. As a result our index of rent levels will go sideways during the year.

**5** The prices for which residential properties will sell will increase in spite of frozen rents and increasing prices for maintenance and upkeep. This will be due to the demand for dwelling units which will continue to exceed the supply in practically all cities of the United States and the overabundance of dollars in the hands of consumers unable to rent accessible units. Many people who have not thought seriously of home ownership before will attempt to buy their own homes. Fear of inflation will force many investors to buy multi-family buildings.

**6** Construction costs of residential buildings are now 36 per cent above the level which prevailed at the time that the war started in Europe. In our opinion during 1945 these costs will rise still further, with the very strong probability that in the post-war period they will be higher than they are at the present time. Lumber will continue to rise in price. (See chart opposite.)

**7** Vacant land suitable for building will increase in price during 1945 due to the over-abundance of dollars in the hands of purchasers, but we do not anticipate over a period of time as large a percentage of increase in the price of vacant land suitable for building as we expect in the values of buildings already built. Vacant land suitable for building rarely increases in price fast enough to offset interest and taxes.



# BUILDING COSTS OF A STANDARD SIX ROOM FRAME RESIDENCE BUILT IN SAINT LOUIS

Costs are grouped into four classifications of material, four of labor and three of overhead. A further breakdown of these groups is given in detail below. Columns of the table are numbered, and a brief description of the items included in each is given in the paragraphs below. Paragraphs are numbered to correspond with the columns described. Building material costs are indicated by the letter M; corresponding labor items, in red by the letter L.

No labor items are shown in Column 10, Building Hardware, as they have already been included in Column 5, Millwork.

## Group A

(1) Masonry: Cement, sand, gravel, quick lime, hydrated lime, hard wall plaster, face and common brick, fire brick, flue lining.

(2) Tile Work:  $4\frac{1}{4} \times 4\frac{1}{4}$  wall tile, ceramic floor tile, cap and base.

## Group B

(3) Unfinished Lumber: Columns, beams, floor and ceiling joists, interior and exterior studs, rafters, bracing, etc.

(4) Finished Lumber: Sub-flooring, sheathing, beveled siding, finished floors, asphalt shingle roofing, roofing felt, tar paper, shutters, etc.

(5) Millwork: Windows, doors, trim, kitchen cabinet, stairs.

## Group C

(6) Heating: Boiler, insulating jackets, fittings, tools, pipes, con-

nections, valves and radiation.

(7) Plumbing: Soil pipes and connections, stack, water pipe and connections, lead oakum and bathroom fixtures; hot water heater and tank to be furnished by others.

## Group D

(8) Sheet Metal: Galv. iron (present) gutters, downspouts, flashing.

(9) Electrical Work: Main switch, BX cable, switch boxes, receptacles, transformer, etc. No fixtures included.

(10) Nails and Hardware: Common and wire nails, bolts, damper, ash doors, finish hardware.

(11) Painting: White lead, linseed oil, turpentine.

(12) Miscellaneous: Metal and wood lathes, corner bead, insulation.

## Total Material and Labor Costs

## Group E

(13) Overhead and profit of subcontractors in plastering, metal work, heating, plumbing, electrical work and tile work.

(14) General contractor's profit.

(15) Missouri sales tax (now 2% on materials), old age and unemployment tax (federal and state), liability and employees' compensation insurance, fire and tornado insurance, completion bond.

(16) Total overhead, profit and other costs.

## TOTAL CONSTRUCTION COST

YEAR	GROUP A			GROUP B			GROUP C			GROUP D			GROUP E			TOTAL														
	M	L	M	M	L	M	M	L	M	M	L	M	L	M	L	(13)	(14)	(15)	(16)											
1913	\$343	\$288	\$24	\$13	\$218	\$101	\$428	\$134	\$350	\$121	\$152	\$126	\$231	\$110	\$65	\$12	\$36	\$49	\$59	\$16	\$64	\$51	\$18	\$1973	\$1146	\$248	\$337	\$132	\$717	\$3836
1914	362	388	24	13	212	101	415	134	349	121	147	136	248	110	59	12	32	49	59	16	64	50	18	1973	1146	248	337	132	717	3836
1915	360	388	24	13	189	108	373	145	329	131	152	144	249	116	68	12	38	52	68	17	69	48	19	1911	1197	257	337	135	729	3837
1916	366	396	24	13	224	108	438	145	363	131	203	144	309	116	101	12	55	52	86	22	69	59	19	2250	1205	295	375	142	812	4267
1917	456	413	25	14	258	109	500	146	396	132	244	152	359	122	108	12	59	54	110	26	69	69	19	2610	1242	325	418	152	895	4747
1918	539	421	25	15	292	118	576	158	449	143	322	152	359	124	95	11	52	54	118	30	75	73	21	2924	1295	346	457	163	966	5185
1919	524	453	25	15	519	128	1008	170	729	154	290	160	349	130	83	15	45	57	123	31	81	112	23	3928	1386	342	566	187	1095	6409
1920	742	463	28	17	607	183	1189	243	1030	220	305	184	372	150	83	21	46	66	143	36	116	132	32	4713	1695	366	677	227	1270	7678
1921	674	501	25	18	479	188	920	250	506	225	273	192	460	156	64	22	35	69	94	30	119	104	33	3666	1773	372	581	215	1168	6605
1922	609	506	25	18	362	174	705	232	571	209	258	204	433	166	64	20	35	73	79	28	111	81	31	3248	1744	370	536	205	1111	6103
1923	633	576	25	21	410	200	793	268	551	242	267	227	430	184	70	23	38	81	94	28	128	90	36	3429	1986	407	582	228	1217	6632
1924	718	703	251	108	401	246	779	328	492	296	274	277	388	224	64	28	35	100	97	35	156	87	44	3521	2510	527	656	274	1457	7488
1925	606	684	251	108	375	251	732	335	472	302	273	255	381	207	68	29	37	92	89	37	159	83	45	3404	2467	508	638	267	1413	7284
1926	566	653	251	108	379	240	732	320	432	288	264	244	381	197	69	27	37	87	86	36	152	83	45	3316	2359	499	617	254	1370	7045
1927	565	621	251	108	354	228	715	304	358	275	251	184	395	159	67	26	37	66	84	33	145	80	41	3190	2157	469	582	237	1288	6635
1928	563	541	208	97	406	184	644	244	377	220	261	184	382	151	71	21	39	66	85	31	116	74	32	3141	1856	438	544	213	1195	6192
1929	565	541	185	97	360	184	687	244	384	220	270	184	385	151	82	21	45	66	89	33	116	71	32	3156	1856	438	545	213	1196	6208
1930	474	422	185	97	340	135	655	191	312	164	251	140	341	114	71	15	39	50	72	33	87	211	24	2984	1429	380	479	175	1034	5447
1931	411	342	155	57	313	108	594	245	251	131	226	112	322	91	58	12	32	40	61	31	70	198	39	2655	1147	317	412	146	875	4677
1932	428	342	159	51	268	108	532	145	269	131	210	112	286	91	50	12	28	40	60	28	70	199	39	2507	1141	295	395	142	832	4480
1933	457	342	130	51	355	108	562	145	344	131	208	112	270	91	52	12	28	40	54	26	70	214	39	2700	1141	291	413	146	850	4691
1934	540	342	122	51	439	108	713	145	494	131	234	112	279	91	55	12	30	40	63	26	70	222	39	3217	1141	299	466	154	919	5277
1935	508	422	111	67	399	135	658	181	525	164	236	140	292	114	43	15	24	50	62	26	87	229	47	3091	1422	300	481	174	955	5468
1936	506	490	111	67	364	159	655	209	494	188	255	160	301	131	50	19	28	57	59	27	98	221	53	3071	1631	344	505	239	1088	5790
1937	503	512	111	67	395	186	742	245	578	221	247	160	326	141	54	22	29	57	64	31	104	226	53	3306	1768	363	544	310	1217	6291
1938	508	425	103	67	350	157	647	204	571	179	241	160	297	134	47	19	26	57	66	28	88	222	42	3106	1536	333	494	306	1133	5771
1939	513	525	103	77	360	159	660	211	513	190	239	160	277	135	49	19	27	57	64	29	109	192	56	3026	1696	344	505	323	1172	5894
Ja 1940	510	538	103	77	374	158	679	215	567	195	236	160	282	131	58	17	32	57	65	30	93	193	61	3129	1702	352	516	327	1195	6026
Ap 1940	510	538	103	77	371	158	651	215	566	195	236	160	285	131	63	17	35	57	65	30	93	193	61	3108	1702	352	516	327	1195	6005
Jl 1940	510	538	103	77	371	158	651	215	566	195	236	160	285	131	63	17	35	57	65	30	93	193	61	3108	1702	352	516	327	1195	6005
O 1940	510	542	145	86	494	162	763	218	628	197	254	160	294	161	63	17	31	57	66	32	93	203	75	3482	1768	385	564	351	1300	6551
Ja 1941	515	640	145	86	493	182	808	243	645	219	242	160	266	161	62	19	28	58	67	33	104	203	78	3507	1950	380	585	375	1340	6797
Ap 1941	487	639	159	86	463	182	771	243	633	219	251	180	274	149	62	19	28	63	69	33	131	202	79	3432	1990	396	581	376	1353	6775
Jl 1941	510	650	159	86	553	220	802	279	635	252	250	180	274	149	60	19	27	63	72	34	131	220	79	3626	2108	396	613	397	1406	7140
O 1941	514	678	159	86	544	226	861	303	689	274	262	20																		

## 8

During 1944 only 167,000 dwelling units were built in all nonfarm areas of the United States. This compares with 351,000 in 1943, 497,000 in 1942 and 715,000 in 1941. From the chart at the bottom of the page it will be seen that this figure is lower than the lowest level reached during the First World War. 1945, unless the war in Europe ends early in the year, will show little improvement. The lumber situation will remain at least as critical as it is now, with the probability that it will become still more severe. The only housing permitted until after the European war is over will be housing absolutely essential for defense workers.

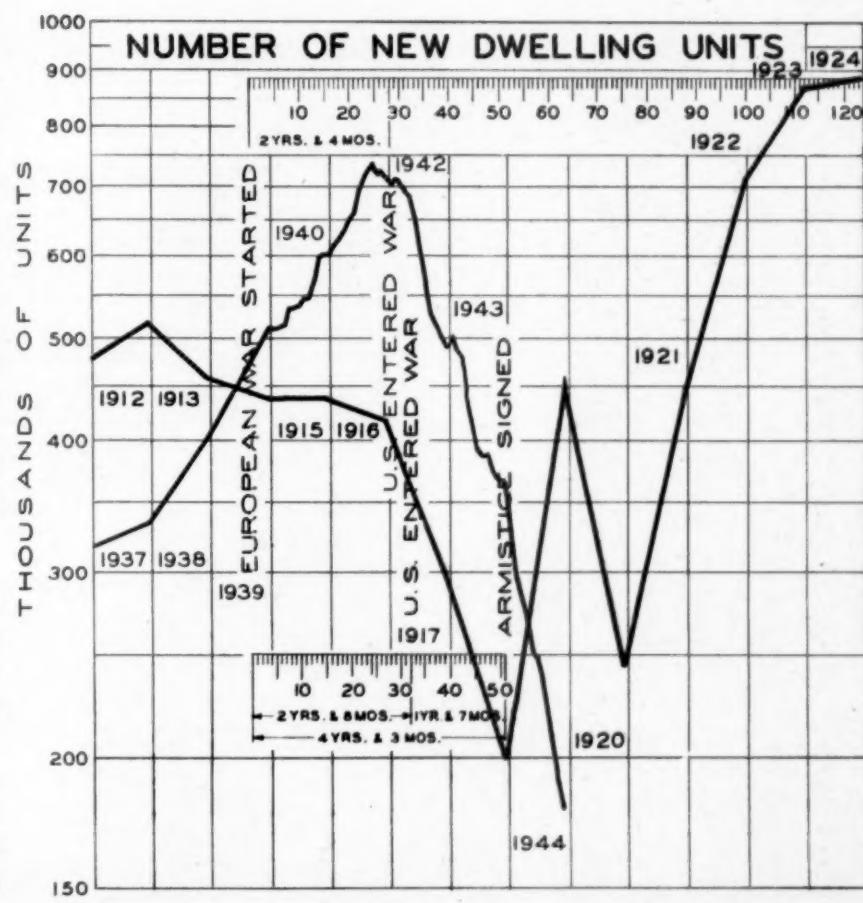
Should the war in Europe come to a sudden close in the early part of the year there might be a possibility of building volume in 1945 reaching 300,000 dwelling units. In our opinion this is possible but not probable.

Nonresidential building, too, will depend entirely on the European war. An early peace could double last year's volume, bringing the total to more than a billion dollars in 1945. This seems improbable to us, however, and we would be more inclined to think that nonresidential building in 1945 will not exceed 1944.

Farm building in 1945 will equal 1944 and may possibly exceed it by a very small percentage. Military and naval building will probably be slightly below 1944.

We are not as optimistic as many for a large volume of building in the early post-war period. In addition to the shortages during the first year, we will be faced with building costs which have advanced markedly during the war. Although many surveys have indicated that a large part of the population expect to buy or build in the early post-war period, we believe that they are under the mistaken impression that buildings can be built after the war at a very low cost. When they discover that it will cost more to build a new building than comparable buildings can be bought for at that time, they will defer building until existing properties rise to a comparable level.

Had residential rents not been frozen at so low a level, the values of existing buildings would have been advanced further during the war, with a more favorable relationship at the war's end between existing buildings and the cost of new construction.



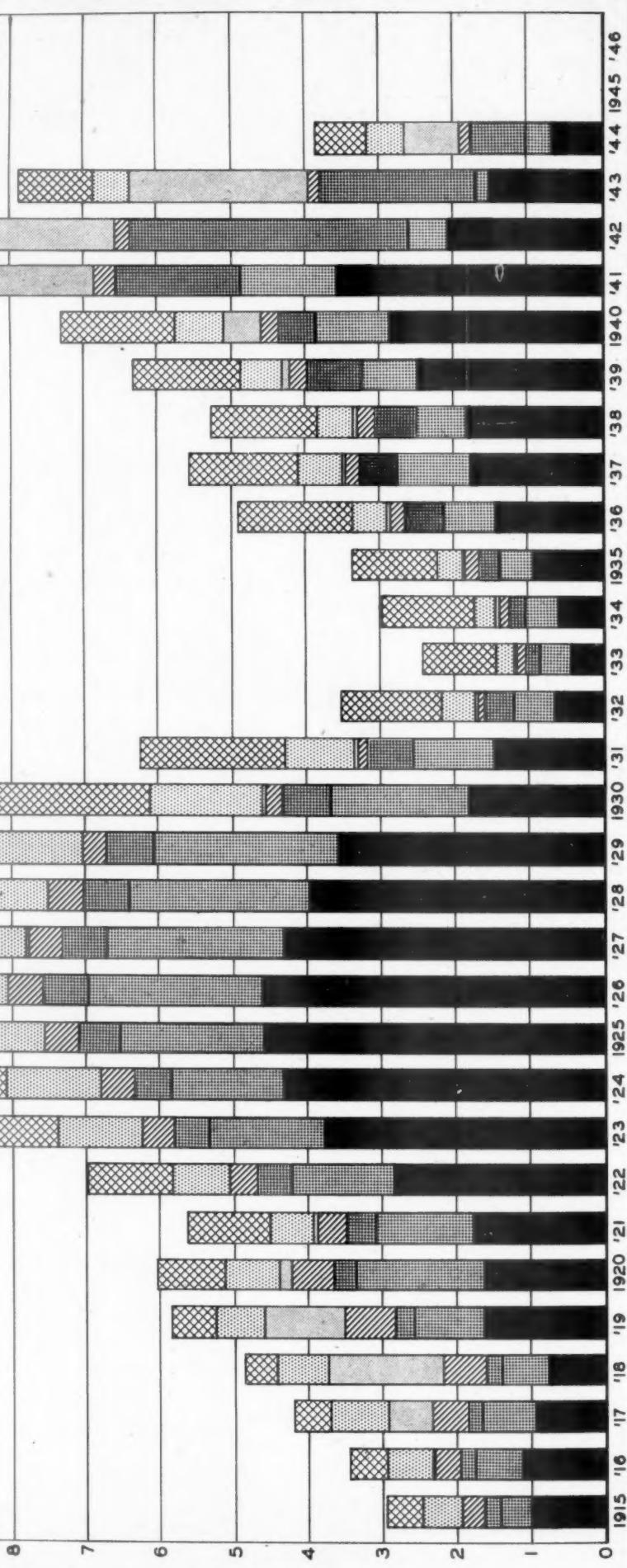
# NEW CONSTRUCTION EXPENDITURES IN THE UNITED STATES

15  
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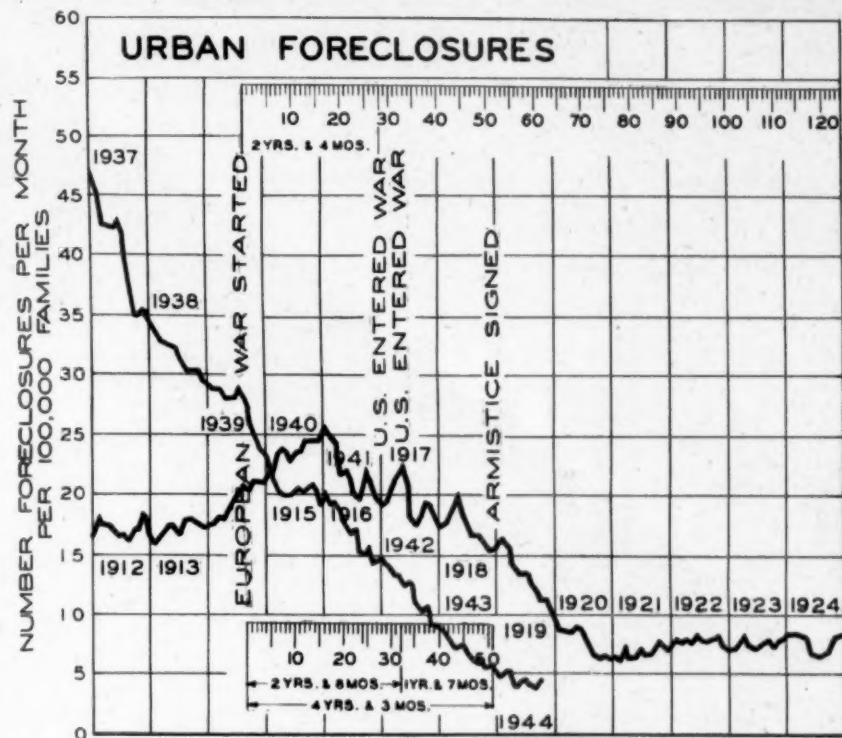
BILLIONS OF DOLLARS

## LEGEND

PUBLIC	HIGHWAYS AND OTHER PUBLIC CONSTRUCTION
PRIVATE	PUBLIC UTILITIES
PUBLIC	MILITARY AND NAVAL
PRIVATE	F FARMS
PUBLIC	NON-RESIDENTIAL
PRIVATE	
PUBLIC	RESIDENTIAL
PRIVATE	NON-FARM



Real estate activity will increase still further in 1945. When the war first started in Europe and later when the United States entered the war our forecasts were that real estate activity would increase in spite of the fact that during the First World War real estate activity decreased until the time of the Armistice. The total volume of voluntary transfers of urban real estate in 1945 will probably exceed the volume of transfers in 1944, in spite of the fact that 1944 was a very good year for the real estate broker.

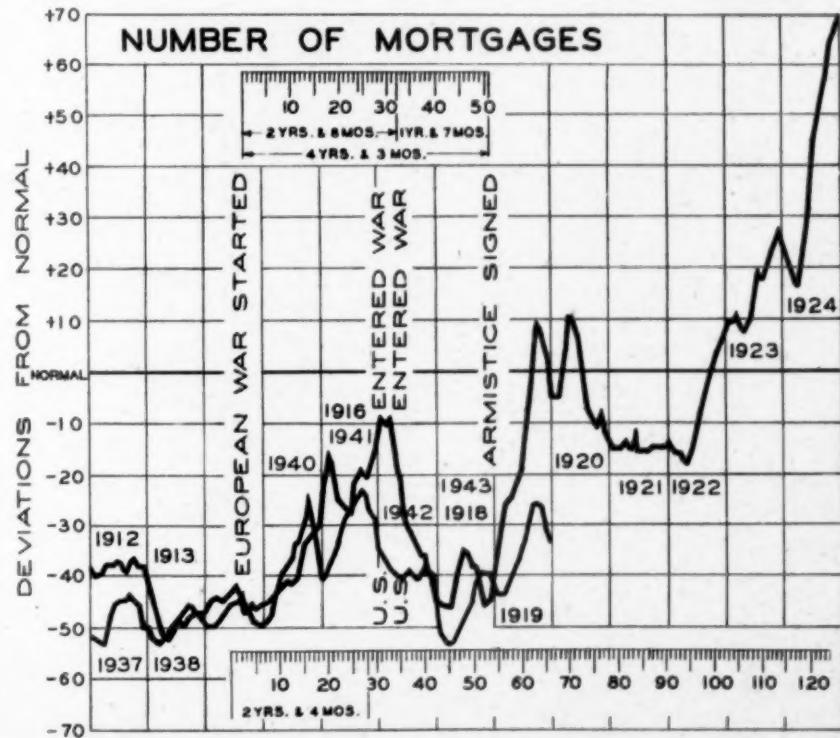


**10** The average urban foreclosure rate will be slightly higher during 1945 than it has been in 1944, when it set an all-time low record. As war production tapers off toward the end of the year, some communities will experience difficulties, particularly with houses built under Title VI provisions of the FHA. On the other hand, throughout the United States as a whole, foreclosures will rise by only a slight percentage, as the fact that we are still in a rising market of values will prevent many foreclosures which might otherwise take place.

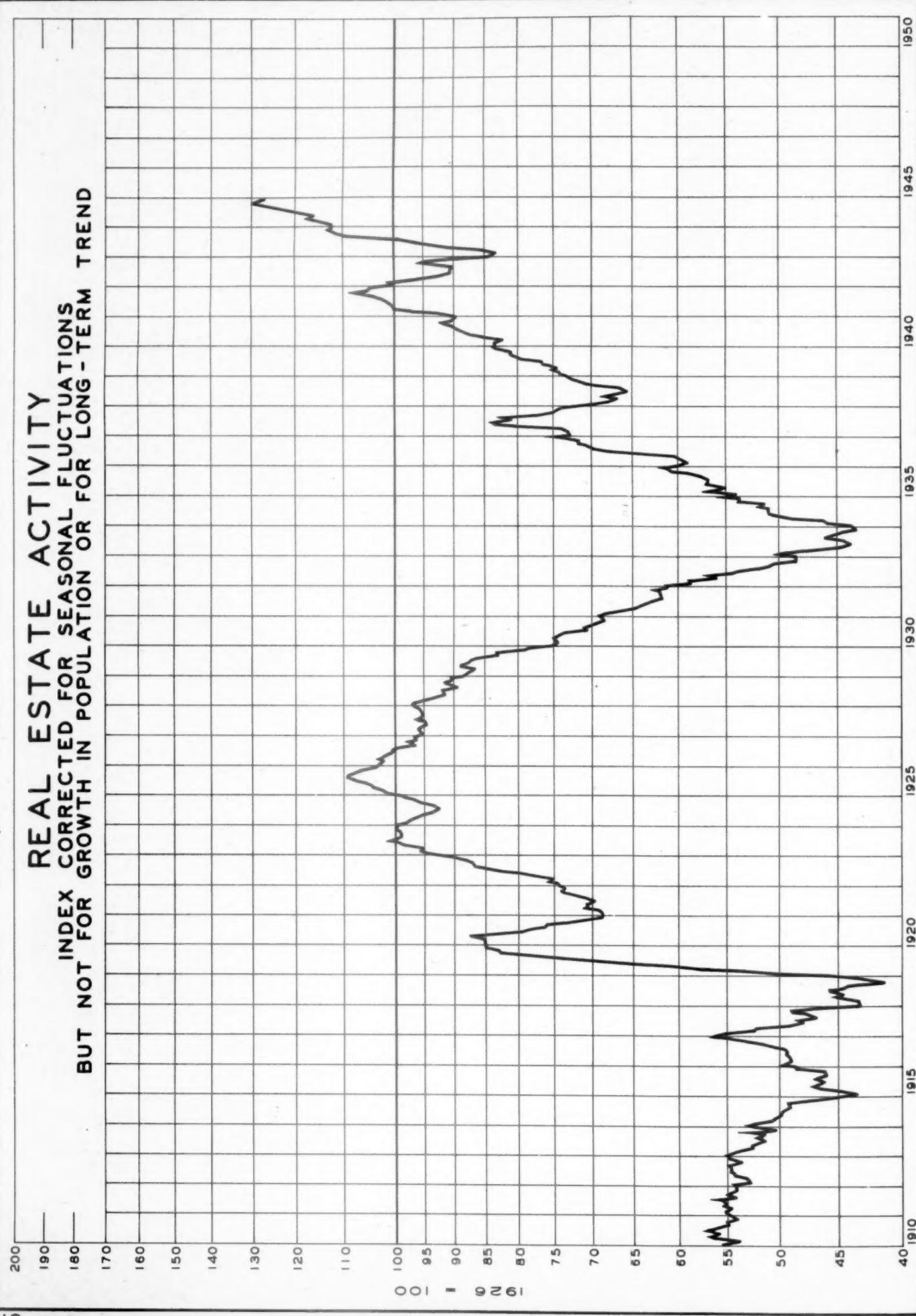
**11** Mortgage loans will be readily available in practically all cities as the general inflationary policies of the government have resulted in idle funds seeking investment without a sufficient outlet at acceptable rates of interest. We believe that mortgage loan activity during 1945 will exceed 1944.

**12** Mortgage interest rates will drop slightly during 1945. This will be due to government pressure on the general interest rate and due to the fact that GI loans at 4 per cent will have a tendency to lower the market for all loans.

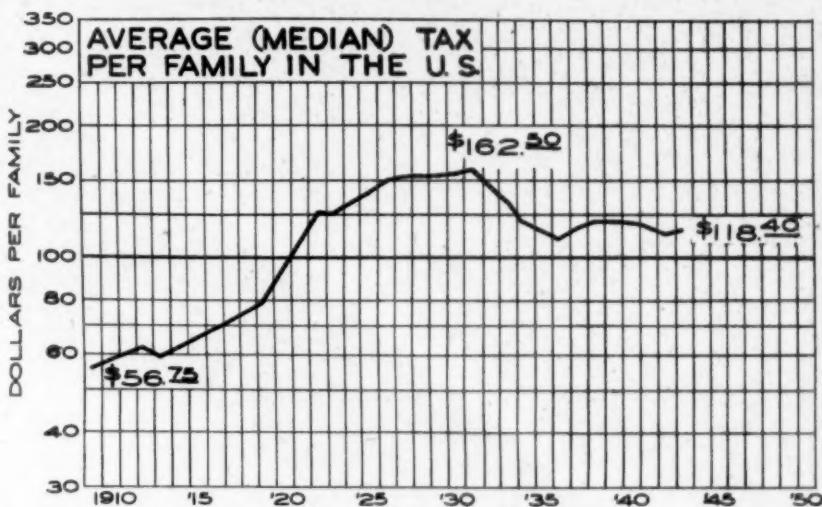
**13** Real estate taxes will show little change during



REAL ESTATE ACTIVITY  
INDEX CORRECTED FOR SEASONAL FLUCTUATIONS  
BUT NOT FOR GROWTH IN POPULATION OR FOR LONG-TERM TREND



1945. Because rent levels have been frozen, taxes cannot be increased without allowing the landlord to pass on the increase to the tenant. During the First World War when rent control was not in force, real estate taxes rose with rents and values during the period of the war. Real estate taxes will rise in the post-war period due to the higher cost of local government.

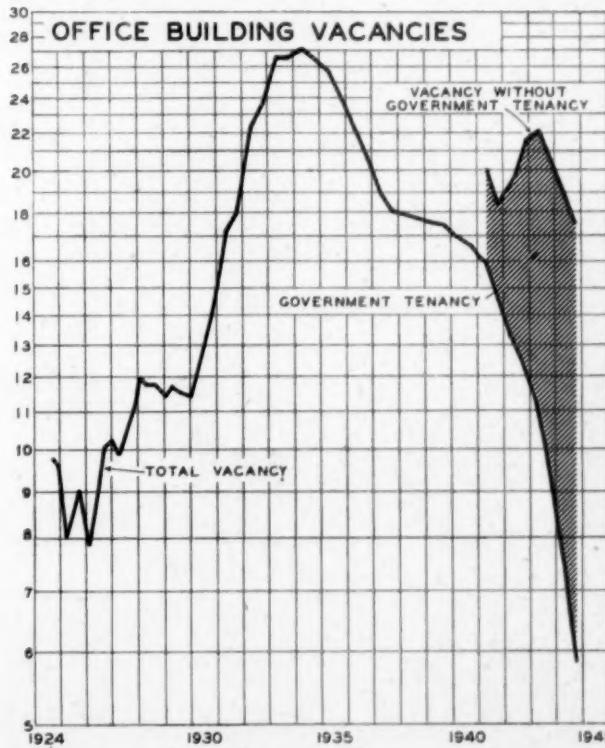


### URBAN REAL ESTATE COMMERCIAL

**14** The absorption of vacant space in office buildings will continue, as the government will continue to occupy a large percentage for war and domestic control and clerical work. Within six months after the end of the war in Europe, however, the government will start to contract its space requirements and within a six months' period will probably be renting about five per cent of the office space in the United States, in place of 11 per cent. In the average city, however, office building space vacant will not be excessive as relatively few office buildings have been built since the early thirties. During the past fifteen years due to government reports and other requirements it takes a larger number of square feet of office space to do the same volume of business than it took before government controls became so complicated.

Office building rents will largely move sideways due either to commercial rent control or to control by intimidation. Office building owners have been told in no uncertain fashion that if office building rents rise by any appreciable amount rent control will be extended to the commercial field. It seems extremely probable that some sort of official control will be in force before the end of 1945.

**15** The probability is that the rentals of stores and shopping space will not change markedly during 1945. Much of this space is on a percentage lease arrangement and on the one hand the large supply of dollars seeking merchandise would have a tendency to



increase volume in rents, but on the other hand, shortage of merchandise will have a tendency to decrease volume in rents. It is our opinion that these two factors will probably neutralize each other. It should be remembered, however, that the greatest shortages will occur in the "hard merchandise" line and that soft goods will continue to be available to a far larger extent. The shortages of all types of merchandise, however, will be greater in 1945 than they have been in 1944.

## INDUSTRIAL REAL ESTATE

### 16

After the end of the war in Europe intense competition will arise between new and old industrial areas. The new industrial areas will attempt to hold the wartime workers by converting the new plants which have been built to civilian uses. While they will not be entirely successful in this, they will succeed in a large enough number of cases to accentuate the industrial trend from the older industrial areas in the East to the newer industrial areas in the Southeast, the Southwest and the West Coast.

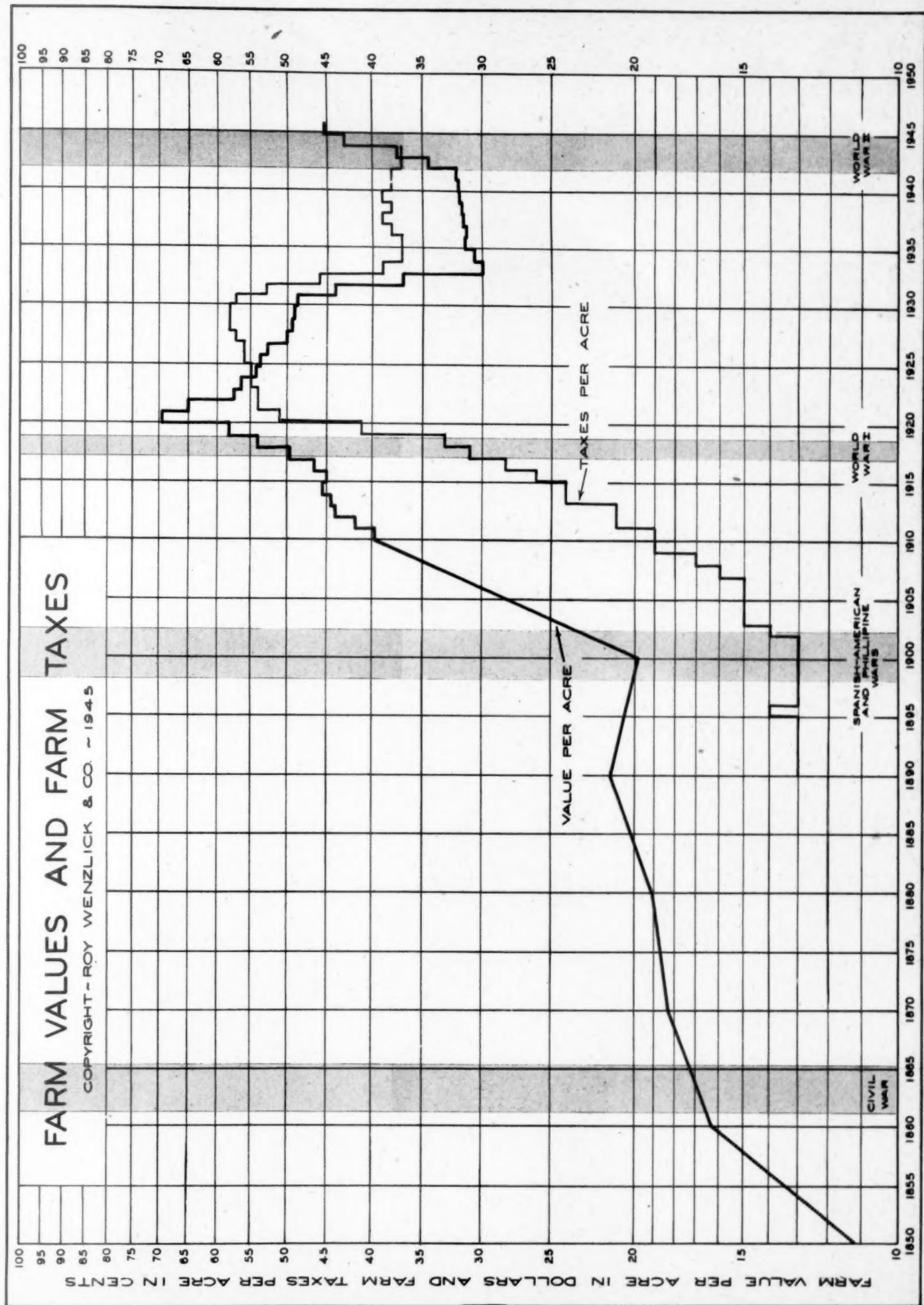
There will also be considerable competition in each industrial area between the newer buildings and the older more obsolete buildings. Many of the new buildings which were built for war purposes will be convertible to industrial usage and on the average this space will be more efficient than the older multi-storied buildings existing in many of our cities.

## FARM REAL ESTATE

### 17

Farm real estate activity will continue high during 1945 with a very heavy turnover in voluntary transfers of farms. Involuntary transfers of farms due to foreclosures or tax sales will be practically nonexistent during 1945, but the rural foreclosure rate will start to rise in 1946, and will probably be quite high in the early fifties.





**18**

The prices for which farmlands will sell will continue to increase, but not by so large percentages as they have increased during the past few years. The increases from now on will be due to the large number of dollars seeking investment and to the demand for GI loans for GI farms. As soon as the war is over in Europe we will be faced with a surplus of agricultural products which we will probably dispose of by making loans to foreign countries in order to enable them to purchase our surplus. This is an indirect method of giving our products away, with the eventual result that the cost will be borne by the American taxpayer.

**19**

Real estate taxes on farms will not show any marked change during 1945, but the trend will develop shortly towards slightly higher farm taxes. This will be more noticeable during 1946 and 1947 than it will be this year.

**20**

Mortgage activity on farms will remain fairly high during 1945, but with the larger lending institutions becoming more cautious as the year develops.

**21**

Mortgage interest rates will remain firm at their present level on farm properties. The tendency for these rates to drop in our opinion will be offset by the greater risk which will be recognized by many mortgage lenders in the surplus farm products situation for the post-war period.



# EXECUTIVE DIGEST

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Editor

### REAL ESTATE ACTIVITY

The sales of real estate in all urban communities are continuing at a very high level, although slightly lower than the figures for October and November of last year. The preliminary figure for December was 44.3 per cent above normal, in comparison with figures for October and November of more than 47 per cent above normal.

On the center spread of this report real estate transfers are charted for 24 American cities. The red line on each of these charts shows the average for all cities.

There seems to be nothing in the immediate outlook which would cause real estate sales in urban centers to slow down markedly, and it seems to us that the brokers should have a very profitable business, at least during the first six months of 1945.

### FARM ACTIVITY

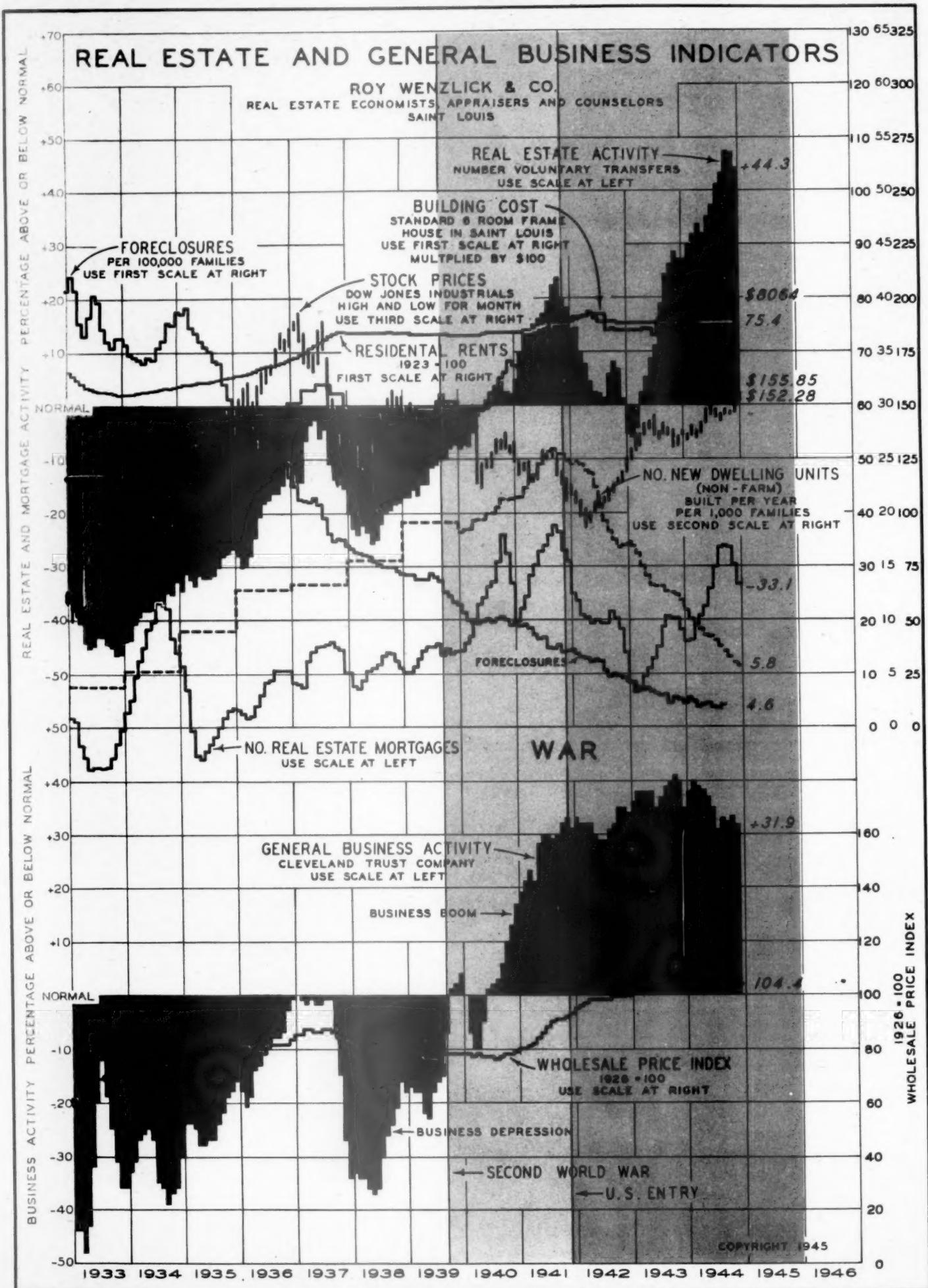
While the prices of farm lands on the average throughout the United States have continued upward, the peak of sales activity occurred during the first quarter of 1944. At the present time the number of farm sales is running approximately 10 per cent below the corresponding period of a year ago.

In the year from November 1943 to November 1944, farm lands increased in price by more than 14 per cent. The biggest percentage of increase was in the Pacific States where during this year farm values on the average increased by 17 per cent. Undoubtedly one reason for the slowing down in farm activity is the many warnings which have been issued of the possibility of a wild farm land boom in the United States.

### REAL ESTATE MORTGAGES

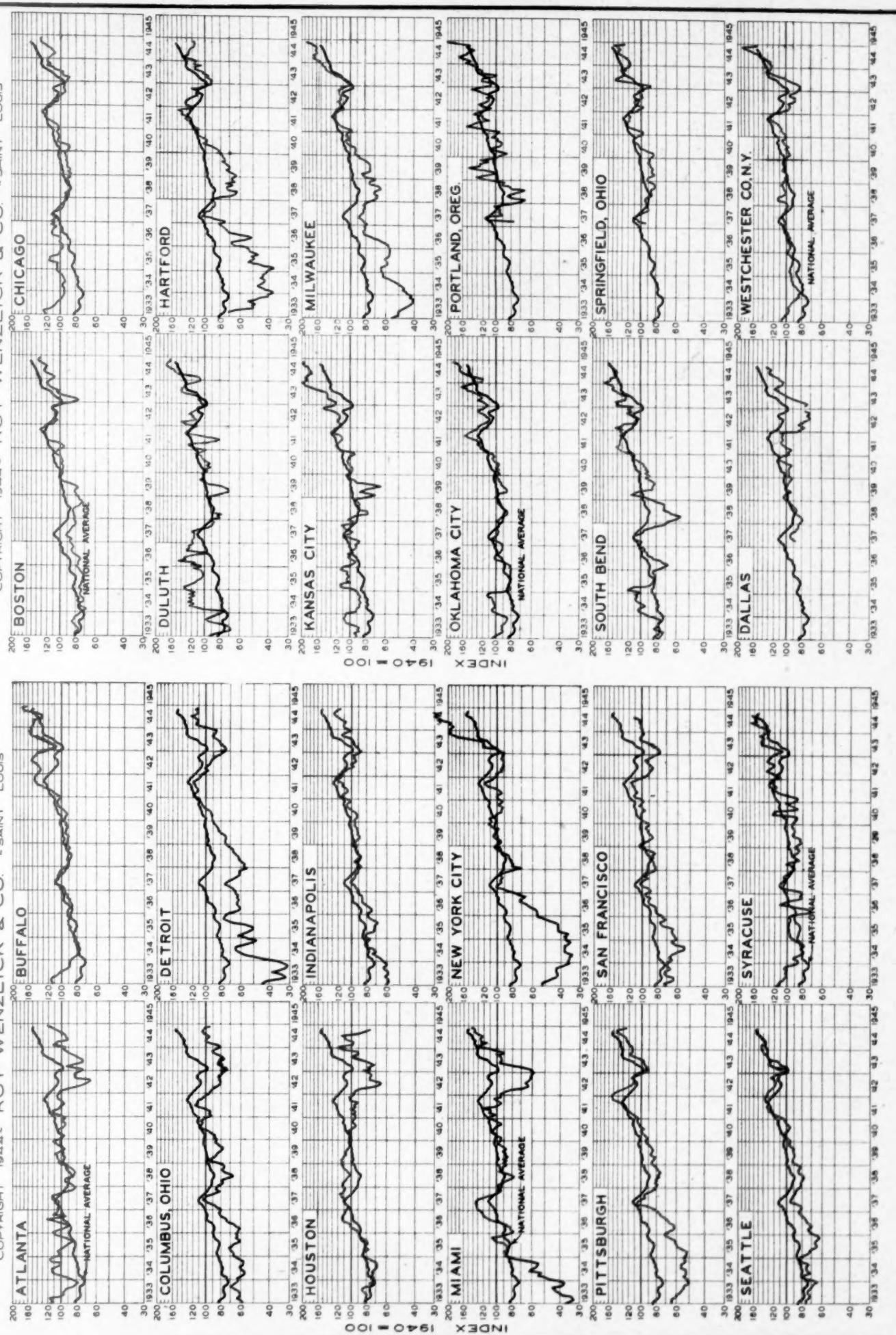
Mortgage activity dropped slightly in December to a point 33.1 per cent below our long-term normal. This is below the five preceding months, but is still relatively high in relationship to the period before.

As pointed out a number of times in these reports the reason that the number of real estate mortgages is so far below normal in the current period is that monthly amortized loans have replaced the old combination of first mortgages and junior financing. In the twenties with first and second mortgages running for relatively short periods, generally three to five years, much property was refinanced frequently and in the course of a ten-year period a number of mortgages might be recorded on the average for a single piece of property.



## REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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## REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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